

**The Economic Effects on Michigan of the
Comcast Midwest Management, Inc. Facility Location Decision**

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Abstract

Comcast Midwest Management, Inc. is considering establishing a 60,000 square foot technical support center in Scio Township, Washtenaw County for its high-speed, on-line products. The facility would employ 400 people by 2003. We estimate that by 2016, this location will have generated a total of 1,163 jobs in the state. Total state government revenues through 2016, net of MEGA costs and adjusted for inflation, would increase by \$47,933,000 (2001 dollars) due to the location of Comcast Midwest Management, Inc.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Comcast Midwest Management, Inc. establishing a 60,000 square foot technical support center in Scio Township, Washtenaw County for its high-speed, on-line products (SIC 4832). Investment activity would take place between 2001 and 2002, with an investment of \$16.5 million. The facility would employ an additional 400 people by 2003.

The estimates of the benefits include the total number of jobs created in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue. Benefits net of the MEGA incentive package, from 2001 to 2016, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2002 to 2016 equal to 100 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility as a result of the project.

The total employment effects, reported in the first line of the table, include the direct jobs created at the facility itself plus spin-off jobs. The spin-off jobs are generated from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. The construction activity is expected to generate a total of 21 jobs in 2001 and 189 jobs in 2002; almost all of these jobs are temporary. In 2003, the first year of full operations, an additional 1,448 jobs are generated in the state. We estimate that by 2016, this location will have generated a total of 1,163 additional jobs in the state. The total number of jobs created (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for this location averages 2.98 over the period 2003 to 2016. Sectoral detail on the employment gains is also shown in the table.

Personal income is shown in the next section of the table. Personal income is defined as the income of Michigan residents from all sources, after deduction of contributions to social insurance programs but before deduction of income tax and other personal taxes. As shown in the table, if Comcast Midwest Management, Inc. were to locate in Michigan under the incentive

program, state personal income in 2003 would be higher by \$62.8 million (in current dollars) than it would be without the facility, and in 2016 it would be \$93.4 million higher. Adjusted for inflation, these numbers in 2001 dollars would be \$46.9 million in 2003 and \$50.1 million in 2016.

The gain in economic activity results in higher state government revenues. We estimate that in 2003, the facility would generate \$5,024,000 in additional gross state government revenue, and that the MEGA package would provide a \$308,000 incentive to Comcast Midwest Management, Inc. Thus, the Comcast Midwest Management, Inc. facility location would increase state government revenues in 2003 by \$4,716,000, net of MEGA incentive costs.

Over the period 2001 to 2016, gross state government revenue is projected to increase by \$87,496,000 (in current dollars) due to the location of Comcast Midwest Management, Inc. The MEGA incentive package for Comcast Midwest Management, Inc. is forecast to cost \$9,307,000 over the period, resulting in a net increase in state government revenue of \$78,189,000. Adjusted for inflation, the total net increase in state government revenue from 2001 to 2016 would be \$47,933,000 in 2001 dollars.

None of these estimates include the nonmeasurable effects that would produce additional economic and fiscal benefits for Michigan, such as the intangible advantages of influencing other location and expansion decisions.

**Economic and Fiscal Effects on Michigan of the Comcast Midwest Management, Inc. Facility Location
Net Benefits with the Incentive Package**

| Economic/Fiscal Indicator | 2001 | 2002 | 2003 | 2005 | 2010 | 2015 | 2016 | Total 2001-2016 |
|--|------|--------|--------|--------|--------|--------|--------|--------------------|
| Total Employment | 21 | 594 | 1,448 | 1,301 | 1,109 | 1,149 | 1,163 | — |
| Manufacturing | 1 | 22 | 42 | 0 | 0 | 0 | 0 | — |
| Nonmanufacturing | 20 | 572 | 1,406 | 1,301 | 1,109 | 1,149 | 1,163 | — |
| Retail Trade | 2 | 72 | 180 | 151 | 110 | 112 | 114 | — |
| Services | 5 | 166 | 480 | 432 | 400 | 427 | 439 | — |
| Other | 13 | 334 | 746 | 718 | 599 | 610 | 610 | — |
| In current dollars (thousands): | | | | | | | | |
| Personal income | 800 | 24,600 | 62,800 | 69,400 | 74,900 | 89,300 | 93,400 | 1,093,700 |
| Gross state revenue | 64 | 1,968 | 5,024 | 5,552 | 5,992 | 7,144 | 7,472 | 87,496 |
| MEGA cost | 0 | 152 | 308 | 562 | 673 | 811 | 842 | 9,307 |
| State revenue net of MEGA cost | 64 | 1,816 | 4,716 | 4,990 | 5,319 | 6,333 | 6,630 | 78,189 |
| Adjusted for inflation (thousands of 2001 dollars): | | | | | | | | |
| Personal income | 800 | 19,453 | 46,941 | 46,491 | 44,803 | 48,884 | 50,061 | 669,587 |
| Gross state revenue | 64 | 1,556 | 3,755 | 3,719 | 3,584 | 3,911 | 4,005 | 53,567 |
| MEGA cost | 0 | 120 | 230 | 377 | 402 | 444 | 452 | 5,634 |
| State revenue net of MEGA cost | 64 | 1,436 | 3,525 | 3,342 | 3,182 | 3,467 | 3,553 | 47,933 |